

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY

ORDER OF THE SUPERVISOR OF WELLS

IN THE MATTER OF

THE PETITION OF MERIT ENERGY COMPANY, MERIT)
MANAGEMENT PARTNERS I, L.P., AND MERIT ENERGY)
PARTNERS III, L.P. FOR AN ORDER FROM THE SUPERVISOR OF)
WELLS FOR AN EXCEPTION TO THE SPACING AND SETBACK)
REQUIREMENTS OF SPECIAL ORDER NO. 1-86; AND THE) ORDER NO. 05-2007
PETITION OF SAMSON RESOURCES COMPANY FOR AN ORDER) ORDER NO. 06-2007
FROM THE SUPERVISOR OF WELLS ESTABLISHING A 640-ACRE)
PRAIRIE DU CHIEN FORMATION DRILLING UNIT AS AN)
EXCEPTION TO THE WELL SPACING PATTERN ESTABLISHED)
BY SPECIAL ORDER NO. 1-86 AND COMPULSORY POOLING ALL)
INTERESTS INTO THE UNIT.)

OPINION AND ORDER

Background

This case involves the Petitions of Merit Energy Company, Merit Management Partners I, L.P., Merit Energy Partners III, L.P. (Merit); and Samson Resources Company (Samson). Merit proposes to drill and complete a well for gas production (the USA State Mentor "C" 2-34 well, hereafter known as the 2-34 well) within a 320-acre stand-up drilling unit, in the stratigraphic interval known as the Prairie du Chien Group, as an exception to Special Order No. 1-86. Under Special Order No. 1-86, the drilling unit size for wells drilled in Oscoda and Ogemaw Counties to the Prairie du Chien Group is 640 acres. Merit's proposed drilling unit consists of the E 1/2 of Section 34, T25N, R3E, Mentor Township, Oscoda County, Michigan. Merit originally sought an exception to the setback requirements of Special Order 1-86 in order to drill its proposed well 660 feet from the south and east unit boundary lines of its proposed drilling unit. By letter dated April 26, 2007, Merit amended its Petition to remove this request for a setback exception and moved the location of its proposed well to 990 feet from the south and east unit boundary lines of its proposed drilling unit. No change was made to the proposed surface location of the well.

Samson proposes to drill and complete an off-pattern well for gas production (the USA State Mentor 1-35 well, hereafter known as the 1-35 well) within a 640-acre drilling unit in the stratigraphic interval known as the Prairie du Chien Group, as an exception to the well spacing pattern established under Special Order 1-86; and to compulsory pool all interests into the unit

pursuant to R 324.304. Samson's proposed drilling unit consists of the SE 1/4 of Section 34, SW 1/4 of Section 35, T25N, R3E, Mentor Township, Oscoda County; and the NW 1/4 of Section 2, and NE 1/4 of Section 3, T24N, R3E, Rose Township, Ogemaw County, Michigan.

Jurisdiction

The development of oil and gas in this State is regulated under Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended. MCL 324.61501 *et seq.* The purpose of Part 615 is to ensure the orderly development and production of the oil and gas resources of this State. MCL 324.61502. To that end, the Supervisor may establish drilling units and well locations within said units. MCL 324.61513(2). However, the drilling units requested by Merit and Samson can only be effectuated after an evidentiary hearing. 1996 MR 9, R 324.302. The evidentiary hearing is governed by the applicable provisions of the Administrative Procedures Act, 1969 PA 306, as amended, MCL 24.201 *et seq.* See 1996 MR 9, R 324.1203. The evidentiary hearing in this matter was held on May 15, 16, 17, and July 24, 25, and 26, 2007.

Preliminary Proceedings

Due to the fact that Merit's and Samson's proposed drilling units are overlapping and therefore, represent mutually exclusive proposals for development, they were consolidated into one hearing. A pre-hearing conference was held on February 20, 2007. Merit and Samson each filed Answers to the other's Petition. In addition Answers were filed by the Michigan Department of Natural Resources (MDNR), the Nelson Bunker Hunt Trust Estate – Trust "A", the Nelson Bunker Hunt Trust Estate – Trust "B", the Lamar Hunt Trust Estate, and the United States Department of the Interior, Bureau of Land Management (BLM). The Hunt Trusts and BLM supported Merit's proposed drilling unit. Appearances were filed by Mr. Jack Sage on behalf of Merit, Mr. James Neal, on behalf of Samson, and Mr. Thomas Hoane, on behalf of the MDNR.

At the prehearing conference, the Supervisor bifurcated the proceedings, ruling the evidentiary hearing would initially consider only the question of which of the two proposed drilling units should be adopted. After determination of that issue, if necessary, the compulsory pooling aspects of Samson's Petition would be addressed.

Prior to the hearing in this matter, all parties signed a Stipulation, agreeing that Merit and Samson provided sufficient notice of hearing to all owners of record for the Supervisor to enter an order covering the E 1/2 of Section 34, all of Section 35, T25N, R3E, Mentor

Township, Oscoda County; and all of Sections 2 and 3, T24N, R3E, Rose Township, Ogemaw County.

In addition, Merit, Samson, and MDNR entered a Stipulation for the Production and Exchange of Confidential Information and Confidential Material prior to commencement of the hearing. This stipulation bound the parties to keep confidential certain seismic information relied upon by their witnesses. Such information (Exhibits S 9-13 and M 23, 24, and 26) was made available to the Tribunal and other parties for their review during the hearing, but was returned to its owner at the conclusion of the hearing.

The Administrative Law Judge determined the Notice of Hearing was properly served and published. The Supervisor designated the hearing to be an evidentiary hearing pursuant to R 324.1205(1)(b) and directed evidence to be presented in the form of testimony and exhibits. The evidentiary hearing was scheduled for May 15, 16, and 17 and was later continued to July 24, 25, and 26. At the closing of the record, the MDNR filed a written statement. Merit and Samson were directed to file written closing arguments on or before September 14, 2007.

FINDINGS OF FACT

History of the Field

The field can be characterized as having three segments: Church Lake in the northwest, Wagner Lake in the center, and Mio on the southeast. For purposes of this Order the three segments are collectively referred to as the Mentor Field.

Order No. 3-2-85, dated March 22, 1985, provided for 320-acre spacing for specified lands in the Mentor Field. Additional lands were added to the spacing order in 1987 by Order (A) 24-7-87. Both of these orders were rescinded as to undeveloped units on January 1, 1990 (Order No. 3-2-85, page 4, paragraph 5). The spacing of wells targeting the Glenwood Formation/Prairie du Chien Group is currently governed by Special Order No. 1-86. This Order establishes drilling units of 640 acres, more or less, consisting of four contiguous governmental-surveyed quarter sections of land in a square, with allowances being made for the size and shape of the government-surveyed quarter sections. Special Order 1-86 does allow an operator to drill a second well on a developed 640-acre drilling unit without a hearing (Special Order 1-86, Page 8, Paragraph 6). Merit has drilled two in-fill wells in the Mentor Field.

Under Special Order 1-86, it is presumed that one well will efficiently and economically drain the entire 640-acre unit of hydrocarbons. However, Special Order 1-86 also recognizes that exceptions to the drilling unit size may be granted after notice and hearing. (Special Order

1-86, Page 8, Paragraph 5). The burden is on a petitioner for a smaller drilling unit to overcome this presumption. The Supervisor has entered a number of spacing orders that do not conform to Special Order 1-86 insofar as they apply to PdC gas. While not binding on the Supervisor as precedent in this case, the exception orders are pertinent in illustrating how the Supervisor has administered Special Order 1-86 in the past, and under what circumstances he has deemed exceptions to be appropriate.

Once a 640-acre drilling unit has been established, Special Order 1-86 provides that like spacing shall be applicable to the eight contiguous 640-acre units. The drilling of Merit's USA Mentor "C" 1-34 well (1-34 well) established the Special Order 1-86 drilling unit pattern for the east offset unit as the E 1/2 of Section 34 and W 1/2 of Section 35, T25N, R3E, Mentor Township, Oscoda County; and the southeast offset as the E 1/2 of Section 3 and W 1/2 of Section 2, T24N, R3E, Rose Township, Ogemaw County, Michigan. Samson's proposed 640-acre drilling unit is not consistent with this drilling unit pattern and Samson requests an exception under Special Order 1-86 for its off-pattern drilling unit.

In general, the field is a northwest/southeast trending anticline. The wells have all been drilled within approximately one-half mile of a strike line of the northwest/southeast crest of the field. The existing drilling units generally "stair step" down a total of four miles, from the USA & State Big Creek 1-8 well (PN 55972) on the northwest end of the field to the 1-34 well (PN 43520) on the southeast end of the field. Wells in the field produce from the St. Peter Sandstone Formation and Prairie du Chien Group (PdC). The field produces natural gas, condensate, and limited amounts of water. Samson interprets the existence of a porosity barrier to the northwest of the USA Big Creek 1-24 well (1-24 well), resulting in all wells to the southeast having characteristics different from wells to the northwest (R. Maxwell, T-269, 274-275). Merit generally agrees, but would place the porosity barrier to the southeast of the 1-24 well (C. Spreadbury, T-801).

Witnesses

In support of its Petition, Samson offered the testimony of Messrs. Kenneth A. Holingshead, Senior Landman, Samson Resources (Exhibits S 1-7); Douglas H. Cook, Senior Geophysicist, Samson Resources (Exhibits S 8 and 14); David R. Clupper, Senior Geologist, Samson Resources (Exhibits S 15-22); and Randal R. Maxwell, Regulatory Engineer, Samson Resources (Exhibits S 23-38). Mr. Cook was accepted as an expert in the area of geophysics, Mr. Clupper as an expert in the area of geology, and Mr. Maxwell in the area of reservoir engineering and reservoir computer simulation.

In support of its Petition, Merit offered the testimony of Messrs. John M. Stroud, II, Chief Geologist and North Division Exploitation Manager Merit Energy Company (Exhibits M 1-11); Lew Murray, Exploration Manager, Continental Resources, Inc. (Exhibits M 12-21); John C. Clark, Partner, Corona Resources, LLC (Exhibits M 22 and 25); Craig Spreadbury, Reservoir Engineer, Merit Energy Company (Exhibits M 33-49); and Ms. Bonnie Percy, Reservoir and Groundwater Engineer, Gene R. George & Associates (Exhibits 27-32). Mr. Murray was accepted as an expert in the area of geology, Mr. Clark was accepted as an expert in the area of geophysics, Ms. Percy and Mr. Spreadbury were accepted as experts in the area of reservoir engineering.

Well Location

Witnesses for both Samson and Merit testified that research and evaluation of the field shows the southeast flank of the field would support another well southeast of the 1-34 well. It is undisputed that the chosen well locations of both Samson and Merit are within close proximity of each other. Samson asserts that its well is centrally located on its proposed drilling unit, creating an even drainage pattern throughout the unit; while Merit's well location is in the southeast corner of its proposed drilling unit, raising concerns of possible drainage either from the 1-34 well or outside of Merit's proposed unit should Merit's Petition be granted and Samson's denied. Witnesses for both Samson and Merit mentioned a "sweet spot" or "narrow bulls-eye" for drilling in the reservoir in the southeast corner of Section 34 and the southwest corner of Section 35; and that Merit's proposed well location is in a better structural position as it is more centered in the structure. According to its expert witnesses, Merit chose its well location based upon its belief the structure turns more east than southeast in the area of its proposed drilling unit and its distance from the gas-water contact. Mr. Stroud stated if Merit's Petition is granted, they would not be opposed to Samson drilling its 1-35 well on a 320-acre unit as long as it was 990 feet from the drilling unit boundary. However, it is Mr. Stroud's opinion that there is not enough productive reservoir underneath Samson's acreage to justify drilling the well.

I find that either the Samson proposed 1-35 well or Merit proposed 2-34 well would potentially drain the reservoir, however, the testimony and evidence indicates Merit's well is in a better location, more centered in the structure.

Drilling Unit

It is Samson's belief that to develop this area on 320-acre units would result in surface waste as much of the area is national forest. However, if Merit were granted its requested 320-

acre unit, Samson would expect to be granted 320-acre spacing for proposed wells on its leased acreage in the field.

Mr. Stroud testified there are several wells in the Mentor Field on 320-acre drilling units, established both before (Order 3-2-85) and after (Cause 24-7-87 and Order 3-4-90) Special Order 1-86 took effect. He stated, although Order 3-2-85 was rescinded, all the wells in the Mio sub-Field, except the 1-34, were developed on 320-acre spacing, while the Church Lake and Wagner Lake sub-Fields were developed on 640-acre spacing. Mr. Stroud further testified approval of Samson's proposed 640-acre unit would result in orphan acreage in the northeast quarter of Section 34.

Mr. Cook testified he developed Samson's drilling unit proposal based on his interpretation of a Prairie du Chien structure map using all of the seismic and well data available to Samson both in the field and the surrounding area of the field. It is Mr. Cook's opinion that the top of the PdC is relatively flat with a minor dip to the southeast along the nose of the structure. He testified Samson's PdC Structure Map (Exhibit S14) shows a continuous offset of a north bounding fault along the extent of the field and that this is a northwest-southeast trending structure with an axis that goes right through Samson's proposed drilling unit. It is Mr. Cook's opinion that the PdC reservoir is present beneath all of Samson's proposed drilling unit but not beneath the northeast quarter of Section 34 due to the presence of the fault. Mr. Clupper testified there is a sufficient column of net pay in the PdC and St. Peter Formations under each quarter section of Samson's proposed drilling unit to justify those lands be included in the unit. However, upon cross-examination, Mr. Clupper testified there is more net pay in Merit's proposed unit than in Samson's proposed unit.

Mr. Clark testified his interpretation of the PdC structure indicates Merit's well is located in an optimum position with substantial productive rock beneath the proposed unit. It is his opinion Merit's PdC structure map (Exhibit M22) indicates Merit's proposed unit has a similar structural position to the 1-34 well. Mr. Clark further testified discrepancies in Samson's seismic interpretation and time structure map make Samson's depiction of the height and breadth of the PdC structure unreliable. Mr. Murray testified both the Samson and Merit proposed units are underlain in part by gas-water contact, which in his opinion sets the geographic limits of the Prairie du Chien gas field (Exhibit M18). Based on the location of the gas-water contact, he interpreted Merit's proposed unit to be approximately 40 percent underlain by gas and Samson's approximately 15 percent, with the only part of Samson's proposed unit underlain by gas being the southeast quarter of Section 34 (Exhibits M18, S8, S14 and S19). It is Mr.

Murray's opinion, based on the drilling of productive in-fill and step out wells in the Mentor Field and his experience with other PdC fields in Michigan, that 320-acre spacing is appropriate for the Prairie du Chien Formation in this area. Mr. Murray stated he saw no geologic evidence of a fault running through the Mentor Field. Mr. Murray acknowledged a difference of one-half mile between the contour lines of his PdC structure map based on geologic data and Merit's PdC structure map based on seismic, however, he testified the difference is not significant.

Samson's engineer, Mr. Maxwell, studied the gas, water, and condensate productive history of the wells in the field and prepared a computer simulation model of the Mio portion of the field. His opinion was that a gas water contact was not apparent in the field, because of the low water production in the field. He believes that to establish the location of the reservoir, it is necessary to focus on the interpreted likely location of reservoir quality rock, rather than a specific gas water contact.

Combining petrophysical analysis data with Merit's geologic and seismic structure maps, and accounting for fluid properties, Merit's reservoir engineer, Mr. Spreadbury, constructed a hydrocarbon pore volume map delineating the extent of the reservoir, and the calculated reserves. Mr. Spreadbury determined the distance between existing productive wells in the Mentor Field is very close to the distance between wells in a field developed on 320 acres. He testified that additional wells are necessary to fully deplete the Mentor Field to abandonment pressure, resulting in a drainage area of approximately 327 acres per well. Merit's witnesses testified the data indicates the majority of the productive rock is under Merit's proposed unit. Merit maintains its decline curve, material balance, volumetrics, and effective well spacing calculations all show the appropriate unit size in the Mentor Field is 320 acres.

At the conclusion of the hearing, Mr. Thomas Wellman filed a written statement on behalf of the MDNR, proposing a third option of a drilling unit consisting of the E 1/2 of Section 34, T25N, R3E, Mentor Township, Oscoda County, and the N 1/2 of Section 3, T24N, R3E, Rose Township, Ogemaw County. It is Mr. Wellman's assertion that this non-traditional "L-shaped" drilling unit would optimize productive acreage and eliminate the need to drill a second well. I find this non-traditional L-shaped drilling unit is not conducive to orderly development.

The record in this matter represents a "battle of the experts" interpretation based on seismic and limited well control near the proposed drilling units. The closest well control to the two proposed units is one-half mile to the west, with no well control to the north, east, or south. Other well control to the northwest of the 1-34 well is generally in a line over the crest of the structure. In such situations, projecting geological contouring through the proposed units

becomes subjective. Geophysical analysis does offer data where well control is absent, but the parties' geophysical interpretations differ. In this case, both Merit's geophysicist and Samson's geologist and geophysicist show the structure extending to the south/southeast from the 1-34 well, along the crest of the structure defined by well control to the northwest. It is a question of interpretation as to how far the reservoir continues on strike to the southeast. Both Samson's and Merit's proposed wells are step-out wells. The record is replete with differing expert opinions on the location of the structure, location of the reservoir, and the gas-water contact. Many of the contesting expert opinions are based on essentially the same data.

Samson interprets a NW/SE trending fault roughly bisecting the NE 1/4 of Section 34 while Merit concurs that the reservoir is an anticline, but does not interpret a fault. I find whether the structure is bounded by a fault or asymmetrical fold, the end result would be a similar trapping mechanism.

The reservoir characteristics at the locations of the existing wells present verifiable and largely objective data. Enough well site data is known to reasonably assume the reservoir characteristics beneath the proposed units will likely be similar to reservoir conditions in existing wells in the Mio sub-field. Between in-fill drilling under Special Order 1-86, and wells drilled under Order No. 3-2-85 and its amendment, the majority of wells operating in the Mentor Field are on what are effectively 320-acre drilling units. The Supervisor stated in Special Order 1-86 that PdC wells may be economic on 320-acre drilling units. Testimony indicates that field porosities and permeabilities are variable with some being very low. Such low porosities and permeabilities create reservoir conditions favoring closer spacing of wells than 640 acres. Because of areas of low porosities and permeabilities, a single gas well may not economically and efficiently drain an area of 640-acres in this field. I find that historical behavior of PdC producing wells in the Mentor Field have demonstrated the appropriateness of 320-acre spacing as an exception to Special Order 1-86. I find that Merit's proposed USA Mentor "C" 2-34 well will prevent waste by efficiently and economically draining the proposed 320-acre drilling unit. I further find Samson was unable to show that its proposed USA State Mentor 1-35 well would economically and efficiently drain the proposed 640-acre drilling unit.

Correlative Rights

Mr. Stroud testified Merit owns the leases in the E 1/2 of Section 34 and is the majority working interest owner and operator of all wells in the Mentor Field except the USA Big Creek 1-8. Mr. Hollingshead testified Samson has leased the S 1/2 of Section 35 and all of Sections 2 and 3. All of the witnesses seem to agree there is productive reservoir in the SE 1/4 of Section

34 but there is no agreement on whether there is productive reservoir in the NE 1/4 of Section 34, SW 1/4 of Section 35, NW 1/4 of Section 2, and NE 1/4 of Section 3. Samson believes there to be productive acreage in Sections 2 and 3 and the S 1/2 of Section 35, and Samson has an alternate spacing proposal (Exhibit S7) to develop five 320-acre drilling units on its leased acreage in these sections. Merit witnesses testified there is productive reservoir in the NE 1/4 of Section 34 that will be "orphaned" if Samson's proposed drilling unit is approved.

I find Samson and its lessors have a means of protecting their correlative rights by forming drilling units, as outlined in its alternate spacing proposal, and drilling their own wells. Furthermore, I find that even if all other factors were equal, it is preferable to provide a plan whereby each operator may form an appropriate drilling unit on lands it owns or controls.

CONCLUSIONS OF LAW

Based on the findings of fact, I conclude, as a matter of law:

1. Merit is an owner within the drilling unit and therefore is eligible to drill and operate the 2-34 well. Samson is an owner in Sections 35, 2, and 3 and is eligible to drill and operate step-out wells in those sections. 1996 AACs, R 324.1206(4).
2. The applicable spacing for the proposed drilling unit is 640 acres, as established by Special Order No. 1-86 for a well drilled to the Prairie du Chien Group.
3. Exceptions to the spacing and location requirements established by Special Order 1-86 may be granted after notice and hearing.
4. The Supervisor has jurisdiction over the subject matter and the persons interested therein.
5. Due notice of the time, place, and purpose of the hearing was given as required by law and all interested persons were afforded an opportunity to be heard. 1996 AACs, R 324.1204.

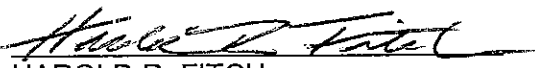
DETERMINATION AND ORDER

Based on the Findings of Fact and Conclusions of Law, the Supervisor determines that the Petition of Merit to establish a 320-acre Prairie du Chien Group drilling unit as an exception to Special Order No. 1-86 will protect correlative rights and prevent waste.

NOW, THEREFORE, IT IS ORDERED:

1. The Petition of Merit in Cause No. 05-2007 is granted to establish a 320-acre Prairie du Chien Group drilling unit as an exception to Special Order No. 1-86 for the USA State Mentor "C" 2-34 well as follows: E 1/2 of Section 34, T25N, R3E, Mentor Township, Oscoda County, Michigan.
2. The Petition of Samson in Cause 06-2007 is denied.
3. Drilling units of 320-acres may be allowed in Section 35, T25N, R3E, Mentor Township, Oscoda County; and Sections 2 and 3, T24N, R3E, Rose Township, Ogemaw County; without a hearing following approval by the Supervisor. Drilling units in these sections shall consist of two quarter sections with a common boundary.
4. Only one well shall be drilled on any drilling unit established or allowed by this Order.
5. All other provisions of Special Order No. 1-86 shall remain in effect.
6. Merit is named Operator of the USA State Mentor "C" 2-34 well.
7. The Supervisor retains jurisdiction in this matter.
8. This Order shall be effective immediately.

DATED: *December 21, 2007*


HAROLD R. FITCH
ASSISTANT SUPERVISOR OF WELLS
Office of Geological Survey
P.O. Box 30256
Lansing, MI 48909

STATE OF MICHIGAN
DEPARTMENT OF ENVIRONMENTAL QUALITY
SUPERVISOR OF WELLS

IN THE MATTER OF

THE PETITION OF MERIT ENERGY COMPANY, MERIT)	
MANAGEMENT PARTNERS I, L.P., AND MERIT ENERGY)	
PARTNERS III, L.P. FOR AN ORDER FROM THE SUPERVISOR OF)	
WELLS FOR AN EXCEPTION TO THE SPACING AND SETBACK)	
REQUIREMENTS OF SPECIAL ORDER NO. 1-86; AND)	CAUSE NO. 05-2007
THE PETITION OF SAMSON RESOURCES COMPANY FOR AN)	CAUSE NO. 06-2007
ORDER FROM THE SUPERVISOR OF WELLS ESTABLISHING A)	
640-ACRE PRAIRIE DU CHIEN FORMATION DRILLING UNIT AS)	
AN EXCEPTION TO THE WELL SPACING PATTERN)	
ESTABLISHED BY SPECIAL ORDER NO. 1-86 AND)	
COMPULSORY POOLING ALL INTERESTS INTO THE UNIT.)	

NOTICE OF HEARING

Take notice that a pre-hearing conference will be held before the Supervisor of Wells (Supervisor) in the city of Lansing, Michigan, on the TWENTIETH DAY OF FEBRUARY (FEBRUARY 20) 2006, BEGINNING AT 9:00 A.M., IN THE DEPARTMENT OF ENVIRONMENTAL QUALITY STEPHEN NISBET HEARING ROOM, ATRIUM LEVEL, SOUTH TOWER, CONSTITUTION HALL, 525 WEST ALLEGAN STREET, LANSING, MICHIGAN. The pre-hearing conference will be conducted pursuant to Part 615, Supervisor of Wells, of the Natural Resources and Environmental Protection Act, 1994 PA 451, as amended (NREPA); MCL 324.61501 et seq., the administrative rules, 1996 AACR, 2001 MR 2, 2002 MR 23, R 324.101 et seq., and the Administrative Procedures Act, 1969 PA 306, as amended, MCL 24.201 et seq.; MSA 3.560(101) et seq.

The pre-hearing conference is for the purpose of establishing parties, identifying issues, and setting a date for a consolidated hearing to receive testimony and evidence pertaining to the need or desirability of issuing an order in the matter of the petitions of Samson Resources Company (Samson), Two W., Second St., Tulsa, Oklahoma 74103-3103; and Merit Energy Company, Merit Management Partners I, L.P., and Merit Energy Partners III, L.P. (Merit), 13727 Noel Road, Suite 500, Dallas, Texas 75240.

Merit seeks an order of the Supervisor establishing a 320-acre Prairie du Chien Formation drilling unit for the proposed State Mentor C 2-34 well as an exception to the drilling unit size and well setback distance requirements of Special Order No. 1-86. The proposed drilling unit consists of the E 1/2 of Section 34, T25N, R3E, Mentor Township, Oscoda County, Michigan. Merit proposes to drill the State Mentor C 2-34 well in the SE 1/4 of Section 34.

Samson seeks an order of the Supervisor to establish an off-pattern 640-acre Prairie du Chien Formation drilling unit for the proposed USA State Mentor 1-35 well, as an exception to the well spacing pattern established under Special Order No. 1-86, and pursuant to R 324.304 to compulsory pool all interests into the proposed drilling unit. The proposed drilling unit consists of the SE 1/4 of Section 34, SW 1/4 of Section 35, T25N, R3E, Mentor Township, Oscoda County; and the NW 1/4 of Section 2, and NE 1/4 of Section 3, T24N, R3E, Rose Township, Ogemaw County, Michigan. Samson proposes to drill the USA State Mentor 1-35 well in the SW 1/4 of Section 35.

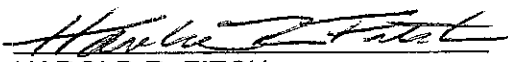
You can obtain a copy of Merit's written petition by requesting one in writing from Mr. Leland L. Able, Jr., P.O. Box 910, Kalkaska, Michigan 49646, telephone number 231-258-6404. You can obtain a copy of Samson's written petition by requesting one in writing from Mr. Kenneth A. Hollingshead, Landman for Petitioner, Two W., Second St., Tulsa, Oklahoma 74103-3103, telephone number 918-591-1488

Take note that if you wish to participate as a party in the hearing by presenting evidence or cross-examining witnesses, you shall prepare and mail or otherwise deliver to the petitioner and Supervisor, not less than 5 days before the hearing date, an answer to the petition in the manner set forth in R 324.1204(6). Proof of mailing or delivering the answer shall be filed with the Supervisor on or before the date of the hearing. The answer shall state with specificity the interested person's position with regard to the petition. Failure to prepare and serve an answer in a timely manner shall preclude you from presenting evidence or cross-examining witnesses at the hearing. If an answer to the petition is not filed, the Supervisor may elect to consider the petition and enter an order without oral hearing. Mail the answer to either Samson's or Merit's petition to Mr. Kenneth Hollingshead or Mr. Leland L. Able, Jr. at the above addresses, and to the Supervisor in care of the Assistant Supervisor of Wells, Mr. Harold R. Fitch, Office of Geological Survey (OGS), P.O. Box 30256, Lansing, Michigan 48909-7756.

Take further note that you may request a change in the location of the Samson hearing to the county in which Samson's proposed drilling unit is located. If the majority of the owners of the oil and gas rights, which are listed in Samson's Petition as not voluntarily pooling their interests into the proposed drilling unit, include in their timely filed answers a request to hold the hearing in the county where the proposed drilling unit is located, the Assistant Supervisor of Wells shall: (i) at the time and place scheduled in this notice adjourn the scheduled hearing; (ii) reschedule the hearing for a location in such county, and (iii) provide, by first-class mail, notice of the rescheduled hearing date, time, and place prior to the rescheduled hearing date to all persons who filed an answer in response to this notice. If the Samson hearing is rescheduled, the Assistant Supervisor of Wells intends to also reschedule the Merit hearing and provide by first class mail, notice of the rescheduled hearing date, time, and place to the rescheduled hearing date to all persons who filed an answer in response to this notice.

Questions regarding the Notice of Hearing should be directed to Ms. Susan Maul, OGS, Michigan Department of Environmental Quality, P.O. Box 30256, Lansing, Michigan 48909-7756, phone 517-241-1552. Persons with disabilities needing accommodations for effective participation in this hearing should call or write Ms. Maul at least a week in advance of the hearing date to request mobility, visual, hearing, or other assistance.

Dated: *Jan. 18, 2007*


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